

Developing a microinsurance plan for California earthquakes

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Nine out of ten Californians are uninsured against earthquake risk, which could slow economic recovery in neighborhoods and cities around the state after a damaging quake. On-demand or use-based small insurance policies—sometimes called microinsurance—could help fill in that financial gap, according to a presentation at the 2017 Seismological Society of America's (SSA) Annual Meeting.

Unlike traditional insurance policies, which tend to cover only structural damage and involve extensive documentation, a microinsurance [policy](#) would automatically pay a fixed sum to all of the insured who fall into a "payout zone" affected by the [earthquake](#). At the SSA meeting, Kate Stillwell of Jumpstart Insurance Solutions Inc. will present a case study showing how data on seismic shaking intensity are being used to develop a microinsurance policy for California.

Stillwell is a structural engineer who has worked with several organizations over the course of her career to determine standards for keeping buildings safe in the event of an earthquake. Her experience in this area, she said, led her to believe that "there are so many other pieces of the puzzle that we're going to need to recover and to be resilient in the event of an earthquake, and one of the big missing pieces is having enough money in the system."

Payout on a microinsurance policy could be used for anything from property damage, to lost wages from time off work, to vet bills for an injured pet, Stillwell noted.

Stillwell will discuss a model for creating a payout zone that is defined by a combination of shaking intensities mapped out over the area affected by an earthquake and census blocks, the smallest geographical unit used by the U.S. Census Bureau.

A different type of microinsurance policy against earthquake risk has already been adopted in Turkey, said Stillwell, who noted that microinsurance has also been used to protect against crop damage in several parts of the world. The concept could be expanded to many kinds of "high-consequence, low-probability" events, she said, including hurricanes, volcano erupts, tsunami and landslides.

More information: "Case Study: How Stochastic Modeling Is Driving the Next Generation of Resilience" will be presented at the SSA Annual Meeting on Wednesday, April 19. All presentation abstracts for the 2017 SSA Annual Meeting can be accessed at meetings.seismosoc.org/abstracts

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